1/11/88 A3275-1

ASSOCIATION OF AMERICAN RAILROADS

THIRD QUARTER
R&E Series No. 731

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE THIRD QUARTER 1987	1986	%Change	FOR THE NINE MONTHS ENDED SEPT. 30 1987	1986	%Change
FREIGHT	$6,513,412	$6,200,581	5.05%	$19,165,447	$19,082,177	0.44%
PASSENGER	22,645	29,623	-23.56%	74,909	82,864	-9.60%
PASSENGER - RELATED	48	48	0.00%	200	141	41.84%
ALL OTHER OPERATING REVENUES	173,117	184,748	-6.30%	534,629	562,373	-4.93%
JOINT FACILITY ACCOUNT	2,819	2,394	17.75%	7,439	6,843	8.71%
OPERATING REVENUES	$6,712,041	$6,417,394	4.59%	$19,782,624	$19,734,398	0.24%
DEPRECIATION - ROAD	$441,177	$233,730	88.75%	$982,730	$1,095,226	-10.27%
ALL OTHER WAY AND STRUCTURES	788,566	738,865	6.73%	2,292,231	2,273,894	0.81%
TOTAL WAY AND STRUCTURES	1,229,743	972,595	26.44%	3,274,961	3,369,120	-2.79%
DEPRECIATION - EQUIPMENT	279,032	363,360	-23.21%	843,233	862,994	-2.29%
ALL OTHER EQUIPMENT	1,242,603	1,368,081	-9.17%	3,688,671	3,967,774	-7.03%
TOTAL EQUIPMENT	1,521,635	1,731,441	-12.12%	4,531,904	4,830,768	-6.19%
TRANSPORTATION - TRAIN AND YARD	2,269,293	2,061,754	10.07%	6,557,826	6,619,957	-0.94%
TRANSPORTATION - SPECIALIZED SERV. & ADM.	391,118	348,907	12.10%	1,144,583	1,055,870	8.40%
GENERAL AND ADMINISTRATIVE	1,002,793	873,462	14.81%	2,390,447	2,238,897	6.77%
OPERATING EXPENSES	$6,414,582	$5,988,159	7.12%	$17,899,721	$18,114,612	-1.19%
NET REVENUE RAIL OPERATIONS	$297,459	$429,235	-30.70%	$1,882,903	$1,619,786	16.24%
OTHER INCOME	$347,956	$300,364	15.84%	$932,694	$840,967	10.91%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	3,478	7,224	-51.85%	22,841	24,763	-7.76%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	28,827	18,737	53.85%	62,275	62,039	0.38%
TOTAL INCOME FROM AFFILIATED COMPANIES	32,305	25,961	24.44%	85,116	86,802	-1.94%
MISCELLANEOUS DEDUCTIONS FROM INCOME	72,696	84,907	-14.38%	197,379	239,190	-17.48%
INCOME AVAILABLE FOR FIXED CHARGES	605,024	670,653	-9.79%	2,703,334	2,308,365	17.11%
INTEREST ON FUNDED DEBT	201,473	205,873	-2.14%	613,435	640,889	-4.28%
INTEREST ON UNFUNDED DEBT	20,193	13,333	51.45%	56,787	17,636	221.99%
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	3,147	2,981	5.57%	8,961	8,775	2.12%
TOTAL FIXED CHARGES	224,813	222,187	1.18%	679,183	667,300	1.78%
INCOME AFTER FIXED CHARGES	380,211	448,466	-15.22%	2,024,151	1,641,065	23.34%
OTHER DEDUCTIONS	2,849	2,880	-1.08%	8,586	8,720	-1.54%
UNUSUAL OR INFREQUENT ITEMS (DEBIT) CREDIT					(659,734)	-100.00%
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	377,362	445,586	-15.31%	2,015,565	972,611	107.23%
INCOME TAXES ON ORDINARY INCOME	120,930	139,911	-13.57%	463,272	339,070	36.63%
PROVISION FOR DEFERRED INCOME TAXES	(42,854)	(31,116)	37.72%	253,727	(150,765)	-268.29%
INCOME (LOSS) FR.COM.OPER.AFT.INC.TAXES	299,286	336,791	-11.14%	1,298,566	784,306	65.57%
INCOME OR (LOSS) FR.OPER.OF DISCONT.SEG.						
GAIN OR (LOSS) ON DISP.OF DISCONT.SEG.						
ORDINARY INCOME	$299,286	$336,791	-11.14%	$1,298,566	$784,306	65.57%
EXTRAORDINARY ITEMS (NET)	(2,201)	43,142	-105.10%	29,819	98,091	-69.60%
INCOME TAXES ON EXTRAORD. ITEMS	650			650		
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS						
CUM.EFFECT CHANGES IN ACCT.PRIN.					(335,841)	-100.00%
NET INCOME	$297,735	$379,933	-21.63%	$1,329,035	$546,556	143.17%
** INCOME FROM LEASE OF ROAD AND EQUIPM	(250)	(451)	-44.57%	(1,358)	(1,255)	8.21%
** RENT FOR LEASED ROADS AND EQUIPMENT	19,896	10,306	93.05%	49,925	22,876	118.24%
NET RAILWAY OPERATING INCOME	$239,029	$330,295	-27.63%	$1,214,471	$1,453,102	-16.42%
DIVIDENDS ON COMMON STOCK	283,722	469,265	-39.54%	791,207	1,106,216	-28.48%
DIVIDENDS ON PREFERRED STOCK	1,884	3,698	-49.05%	8,516	10,732	-20.65%
**** RATIOS ****						
EXPENSES TO REVENUES	95.568%	93.311%		90.482%	91.792%	
TOTAL MAINTENANCE TO REVENUES	40.992%	42.136%		39.463%	41.551%	
TRANSPORTATION TO REVENUES	39.636%	37.564%		38.935%	38.996%	
CASH FLOW	$947,814	$884,028	7.22%	$3,315,981	$2,539,722	31.08%

RATE OF RETURN ON PROPERTY INVESTMENT

NINE MONTHS ENDED SEPTEMBER 30, 1987

(Dollars in Thousands)

	NET INVESTMENT 1987	1986	NET RAILWAY OPERATING INCOME 1987	1986	RATE OF RETURN 1987	1986
EASTERN DISTRICT	$17,977,740	$17,911,696	$512,138	$503,629	2.85%	2.81%
WESTERN DISTRICT	17,792,969	17,896,808	422,968	444,517	2.38	2.48
UNITED STATES	$35,770,709	$35,811,004	$935,106	$948,146	2.61%	2.65%

FOR THE THIRD QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
District & Railroad	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
EASTERN DISTRICT										
Boston & Maine	$21,455	$19,802	$22,644	$20,998	$22,727	$22,200	$10,444	($1,002)	($756)	($1,128)
Conrail	760,832	728,274	784,094	751,758	687,117	647,462	62,148	80,649	57,198	77,704
CSX Transportation	1,134,405	1,039,066	1,166,759	1,076,226	1,019,840	968,422	82,143	68,529	95,713	88,712
Delaware & Hudson	20,863	19,394	21,338	19,790	21,253	22,147	(362)	(3,241)	98	(2,344)
Florida East Coast	30,026	26,727	30,605	27,393	25,120	21,615	9,989	4,061	(942)	1,628
Grand Trunk Western	66,448	71,223	68,175	75,027	72,887	74,943	781	2,097	(5,534)	1,373
Illinois Central Gulf	125,591	144,063	132,317	160,690	120,836	553,151	4,067	(231,118)	11,700	(225,795)
Norfolk Southern	779,802	761,245	804,848	787,588	1,265,788	637,000	(247,433)	120,450	(246,206)	86,494
TOTAL EASTERN DISTRICT	$2,939,422	$2,809,794	$3,030,780	$2,919,470	$3,235,568	$2,946,940	($78,223)	$40,425	($88,729)	$26,644
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$500,140	$474,273	$510,741	$484,580	$443,581	$440,728	$47,229	$28,886	$32,938	$34,113
Burlington Northern	1,046,080	923,555	1,065,446	943,953	858,732	772,842	135,406	102,860	114,498	109,600
Chicago & North Western	168,169	185,504	195,295	211,488	180,947	206,189	11,294	13,145	13,992	4,295
Denver & Rio Grande Western	67,592	69,787	68,546	70,877	62,965	61,422	3,212	5,424	4,423	5,038
Kansas City Southern	72,503	69,041	76,302	72,466	60,672	60,815	7,824	5,523	9,299	7,319
Missouri-Kansas-Texas	60,364	54,095	62,760	56,794	57,391	56,184	3,722	(966)	5,784	854
SOO Line	139,614	144,633	144,401	150,985	165,487	155,640	(9,933)	(5,331)	(11,761)	(1,443)
Southern Pacific	469,453	457,575	490,206	475,684	472,191	469,875	60,788	45,694	20,923	22,097
St. Louis Southwestern	94,967	90,021	97,225	91,423	79,667	78,103	10,996	8,696	9,524	8,050
Union Pacific	955,108	922,303	970,339	939,674	797,381	739,421	106,971	92,435	128,138	113,728
TOTAL WESTERN DISTRICT	$3,573,990	$3,390,787	$3,681,261	$3,497,924	$3,179,014	$3,041,219	$377,509	$296,366	$327,758	$303,651
GRAND TOTAL - UNITED STATES	$6,513,412	$6,200,581	$6,712,041	$6,417,394	$6,414,582	$5,988,159	$299,286	$336,791	$239,029	$330,295

YEAR TO DATE

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

District & Railroad	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
EASTERN DISTRICT										
Boston & Maine	$66,682	$58,293	$70,191	$61,352	$72,654	$67,387	$12,021	($1,381)	($3,086)	($5,813)
Conrail	2,285,961	2,237,070	2,357,668	2,310,344	2,075,586	2,019,358	187,868	231,510	160,601	210,553
CSX Transportation	3,348,784	3,289,879	3,445,798	3,393,780	3,022,861	2,962,213	216,344	250,479	283,579	301,701
Delaware & Hudson	63,006	61,957	64,382	63,052	64,425	68,599	(1,324)	(8,042)	(4)	(5,508)
Florida East Coast	93,722	84,349	95,573	86,565	72,896	67,157	22,232	13,156	7,052	6,375
Grand Trunk Western	217,155	232,852	223,811	244,096	232,790	251,243	(885)	6,152	(6,785)	(5,007)
Illinois Central Gulf	384,171	479,025	417,591	533,308	385,310	892,296	6,940	(209,855)	32,772	(194,076)
Norfolk Southern	2,386,502	2,419,266	2,466,861	2,501,722	2,600,038	1,973,474	(3,577)	363,862	(100,828)	299,837
TOTAL EASTERN DISTRICT	$8,845,983	$8,862,691	$9,141,875	$9,194,219	$8,526,560	$8,301,727	$439,619	$645,881	$373,301	$608,062
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$1,448,230	$1,433,594	$1,479,098	$1,465,269	$1,326,263	$1,353,599	$92,733	$69,381	$86,422	$87,549
Burlington Northern	2,914,604	2,763,004	2,973,448	2,826,691	2,532,316	2,779,530	259,771	49,436	265,477	70,594
Chicago & North Western	498,616	553,474	577,208	629,742	545,881	602,165	21,670	21,544	31,563	26,714
Denver & Rio Grande Western	193,006	221,129	195,386	224,540	188,031	195,735	4,279	16,497	6,276	16,002
Kansas City Southern	215,907	213,682	227,168	224,255	182,192	187,709	23,264	19,146	27,716	24,187
Missouri-Kansas-Texas	174,136	168,165	181,222	176,568	169,025	171,151	8,538	4,454	13,452	6,181
SOO Line	429,375	444,552	443,209	459,605	451,970	458,397	(5,099)	(10)	(2,161)	7,493
Southern Pacific	1,370,889	1,389,582	1,431,878	1,443,820	1,416,681	1,482,608	107,696	43,432	26,478	(15,906)
St. Louis Southwestern	278,796	263,666	284,157	267,604	237,337	243,016	29,119	17,452	25,412	15,095
Union Pacific	2,795,905	2,768,638	2,847,975	2,822,085	2,323,465	2,338,975	316,976	(102,907)	360,535	607,131
TOTAL WESTERN DISTRICT	$10,319,464	$10,219,486	$10,640,749	$10,540,179	$9,373,161	$9,812,885	$858,947	$138,425	$841,170	$845,040
GRAND TOTAL - UNITED STATES	$19,165,447	$19,082,177	$19,782,624	$19,734,398	$17,899,721	$18,114,612	$1,298,566	$784,306	$1,214,471	$1,453,102

RAILROAD FINANCIAL TRENDS

CLASS I RAILROADS IN THE UNITED STATES

QUARTERLY TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	QTR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	1Q	$7,190,176	$6,821,344	$216,107	$203,812	207,428	$416,646
1982	2Q	7,222,128	6,820,596	340,175	265,014	208,026	513,393
1982	3Q	6,612,549	6,500,484	161,042	114,512	190,884	461,361
1982	4Q	6,481,840	6,330,777	424,855	183,569	192,771	583,452
1983	1Q	6,487,332	6,125,837	173,249	256,027	196,120	227,406
1983	2Q	6,695,033	6,345,586	254,985	234,271	203,900	505,256
1983	3Q	6,808,425	6,319,364	370,966	399,120	211,293	364,503
1983	4Q	6,936,757	6,396,154	430,111	385,417	215,455	709,842
1984	1Q	7,450,891	6,619,225	592,570	564,265	231,377	647,046
1984	2Q	7,545,074	6,471,295	809,430	767,455	235,017	1,161,001
1984	3Q	7,415,336	6,351,473	769,434	730,603	233,685	1,324,635
1984	4Q	7,047,978	6,362,869	487,697	481,685	221,671	1,176,891
1985	1Q	7,001,951	6,380,907	417,682	390,307	220,655	698,573
1985	2Q	7,068,280	6,153,453	639,652	646,301	222,844	1,335,952
1985	3Q	6,743,425	5,914,490	646,157	573,439	216,223	132,693
1985	4Q	6,744,921	6,736,414	84,893	158,804	216,304	1,135,973
1986	1Q	6,700,129	6,039,660	402,041	410,132	218,600	668,187
1986	2Q	6,640,668	6,116,913	30,817	704,965	215,716	1,099,717
1986	3Q	6,428,042	5,986,052	340,841	333,979	218,331	1,060,893
1986	4Q	6,466,397	6,778,534	(35,751)	(279,365)	221,688	806,842
1987	1Q	6,445,818	5,751,819	443,522	403,288	226,393	464,360
1987	2Q	6,624,765	5,733,320	555,758	572,154	230,601	862,449
1987	3Q	6,712,041	6,414,582	299,286	239,029	242,258	932,042

ANNUAL TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,503,503	$26,490,278	$1,151,548	$742,231	797,759	$2,165,941
1983	26,729,392	24,106,254	1,777,916	1,837,854	828,275	2,760,909
1984	29,453,446	25,800,454	2,653,814	2,536,673	921,542	3,744,395
1985	27,586,441	25,225,295	1,788,151	1,746,386	876,984	4,422,903
1986	26,204,122	24,896,015	746,965	506,990	867,722	3,600,682

NOTES:

1. Annual figures include all revisions to data and may vary substantially from total of quarters which reflect no revisions and is considered preliminary.

2. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structure. This required change distorts comparisons of above trends for Operating Expenses, Ordinary Income, Net Railway Operating Income, and Capital Expenditures.

3. There is a modest distortion created in above trends due to changes in the Class I Railroad consist. Several railroads have been declassified to Class II railroads since 1982; they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missabe and Iron Range (eff. 1Q 1985), and the Elgin Joliet and Eastern (eff. 4Q 1986).

4. There were special charges, covering asset writedowns and employee buyouts recorded by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, the SOO in 4Q 1986, and the NSC in 3Q 1987. These special charges distort trend comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included in the annual (1986) calculation of NROI, but is shown as an Unusual & Infrequent Item for the quarterly calculation of NROI.

5. The third quarter and year to date 1987 RE&I Report includes a Special Charge taken by NSC, which is related principally to rail restructuring. The effect of this Special Charge on certain RE&I line items is shown below:

	Millions
Operating Expenses	+$607.3
Income Taxes	-$263.0
Net Income	-$344.0
NROI	-$344.0

ECONOMICS AND FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001

DECEMBER 11, 1987

4/1/88

A 3275-1

ASSOCIATION OF AMERICAN RAILROADS

FOURTH QUARTER
R&E Series No. 732

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE FOURTH QUARTER 1987	1986	%Change	FOR THE TWELVE MONTHS ENDED DEC 31 1987	1986	%Change
FREIGHT	$6,632,084	$6,244,099	6.21%	$25,797,531	$25,326,276	1.86%
PASSENGER	20,758	27,626	-24.86%	95,667	110,490	-13.41%
PASSENGER - RELATED	48	46	4.35%	248	187	32.62%
ALL OTHER OPERATING REVENUES	184,258	193,161	-5.59%	718,887	757,534	-5.10%
JOINT FACILITY ACCOUNT	3,219	2,792	15.29%	10,658	9,635	10.62%
OPERATING REVENUES	$6,840,367	$6,469,724	5.73%	$26,622,991	$26,204,122	1.60%
DEPRECIATION - ROAD	$254,044	$591,096	-57.02%	$1,236,774	$1,686,322	-26.66%
ALL OTHER WAY AND STRUCTURES	800,563	812,407	-1.46%	3,092,794	3,086,301	0.21%
TOTAL WAY AND STRUCTURE	1,054,607	1,403,503	-24.86%	4,329,568	4,772,623	-9.28%
DEPRECIATION - EQUIPMENT	250,840	462,705	-45.79%	1,094,073	1,325,699	-17.47%
ALL OTHER EQUIPMENT	1,287,065	1,287,437	-0.03%	4,975,736	5,255,211	-5.32%
TOTAL EQUIPMENT	1,537,905	1,750,142	-12.13%	6,069,809	6,580,910	-7.77%
TRANSPORTATION - TRAIN AND YARD	2,401,008	2,108,323	13.88%	8,958,834	8,728,280	2.64%
TRANSPORTATION - SPECIALIZED SER. & ADM.	248,839	362,438	-31.34%	1,393,422	1,418,300	-1.75%
GENERAL AND ADMINISTRATIVE	759,214	1,157,004	-34.11%	3,129,661	3,395,901	-7.84%
OPERATING EXPENSES	$5,981,573	$6,781,402	-11.79%	$23,881,294	$24,896,014	-4.08%
NET REVENUE RAIL OPERATIONS	$858,794	($311,678)	375.54%	$2,741,697	$1,308,108	109.59%
OTHER INCOME	$421,324	$596,235	-29.34%	$1,354,018	$1,437,202	-5.79%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	25,745	41,010	-37.22%	48,586	65,773	-26.13%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	6,628	(61,171)	110.84%	68,902	868	N.S.
TOTAL INCOME FROM AFFILIATED COMPANIES	32,373	(20,161)	260.57%	117,488	66,641	76.30%
MISCELLANEOUS DEDUCTIONS FROM INCOME	60,537	90,235	-32.89%	257,936	329,425	-21.70%
INCOME AVAILABLE FOR FIXED CHARGES	$1,251,934	$174,161	618.84%	$3,955,267	$2,482,526	59.32%
INTEREST ON FUNDED DEBT	206,120	215,208	-4.22%	819,555	856,097	-4.27%
INTEREST ON UNFUNDED DEBT	14,938	15,760	-5.22%	71,725	33,396	114.77%
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	3,770	2,886	30.63%	12,731	11,661	9.18%
TOTAL FIXED CHARGES	224,828	233,854	-3.86%	904,011	901,154	0.32%
INCOME AFTER FIXED CHARGES	$1,027,106	($59,693)	N.S.	$3,051,256	$1,581,372	92.95%
OTHER DEDUCTIONS	2,629	2,894	-9.16%	11,215	11,614	-3.44%
UNUSUAL OR INFREQUENT ITEMS (DEBT) CREDIT					659,734	
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	$1,024,477	($62,587)	N.S.	$3,040,041	$910,024	234.06%
INCOME TAXES ON ORDINARY INCOME	187,245	143,392	30.58%	650,517	482,462	34.83%
PROVISION FOR DEFERRED INCOME TAXES	147,065	(168,614)	187.22%	400,792	(319,379)	225.49%
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	$690,167	($37,365)	N.S.	$1,988,732	$746,941	166.23%
GAIN OR (LOSS) ON DISP.OF DISCONT.SEG.						
ORDINARY INCOME	$690,167	($37,365)	N.S.	$1,988,732	$746,941	166.23%
EXTRAORDINARY ITEMS (NET)	$2,255	$35,192	-93.59%	$32,074	$133,283	-75.94%
INCOME TAXES ON EXTRAORD. ITEMS	(225)			425		
PRO.FOR DEF.TAXES-EXTRAORD.ITEMS						
CUM.EFFECT CHANGES IN ACCT.PRIN.	57,247			57,247	(335,841)	117.05%
NET INCOME	$749,444	($2,173)	N.S.	$2,078,478	$544,383	281.80%
** INCOME FROM LEASES OF ROAD AND EQUIPM	($539)	($440)	22.50%	($1,897)	($1,695)	11.92%
** RENT FOR LEASED ROADS AND EQUIPMENT	13,895	8,255	68.32%	63,820	31,131	105.00%
NET RAILWAY OPERATING INCOME	$537,840	($278,641)	293.02%	$1,752,311	$514,727	240.44%
DIVIDENDS ON COMMON STOCK	$450,559	$241,046	86.92%	$1,241,766	$1,347,262	-7.83%
DIVIDENDS ON PREFERRED STOCK	1,728	2,414	-28.42%	10,244	13,146	-22.08%
**** RATIOS ****						
EXPENSES TO REVENUES	87.445%	104.817%		89.702%	93.008%	
TOTAL MAINTENANCE TO REVENUES	37.900%	48.745%		39.062%	43.327%	
TRANSPORTATION TO REVENUES	38.738%	38.189%		38.885%	38.721%	
CASH FLOW	$1,335,488	$908,993	46.92%	$4,651,469	$3,438,715	35.27%

N.S. - EXCEED 1000%

RATE OF RETURN ON PROPERTY INVESTMENT

TWELVE MONTHS ENDED DECEMBER 31, 1987

(Dollars in Thousands)

	NET INVESTMENT* 1987	1986	NET RAILWAY OPERATING INCOME 1987	1986	RATE OF RETURN 1987	1986
EASTERN DISTRICT	$17,291,970	$17,173,707	$ 640,654	$747,623	3.70%	4.35%
WESTERN DISTRICT	16,975,855	16,876,333	1,111,657	(232,896)	6.55	-1.38
UNITED STATES	$34,267,825	$34,050,040	$1,752,311	$514,727	5.11%	1.51%

NOTE:* IN ACCORDANCE WITH EX PARTE NO. 393 (SUB-NO. 1), THE NET PROPERTY INVESTMENT HAS BEEN REDUCED BY THE DEFERRED INCOME TAX LIABILITY ACCOUNT.

FOR THE FOURTH QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
District & Railroad	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
EASTERN DISTRICT										
Boston & Maine	$14,842	$23,142	$15,331	$24,982	$19,606	$24,169	($1,501)	$4,368	($4,201)	$887
Conrail	798,688	753,678	822,394	777,781	696,731	673,723	79,114	84,179	73,556	69,140
CSX Transportation	1,153,107	1,092,278	1,188,354	1,135,069	1,052,606	1,018,697	120,923	78,831	91,265	41,229
Delaware & Hudson	15,980	16,728	16,469	17,329	22,044	23,620	(6,492)	(5,485)	(5,562)	(6,278)
Florida East Coast	33,968	33,690	34,685	34,612	25,053	23,845	7,377	12,285	4,090	4,985
Grand Trunk Western	80,162	75,667	83,909	78,934	81,387	102,278	1,153	(22,598)	1,104	(21,426)
Illinois Central Gulf	124,636	129,062	131,045	146,180	127,667	136,330	(5,430)	38,181	2,680	4,302
Norfolk Southern	842,479	799,221	868,693	826,064	660,010	692,376	171,882	141,346	104,461	46,722
TOTAL EASTERN DISTRICT	$3,063,862	$2,923,466	$3,160,880	$3,040,951	$2,685,104	$2,695,038	$367,026	$331,107	$267,353	$139,561
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$479,041	$476,594	$490,023	$426,385	$456,955	$731,331	$24,105	($132,073)	$16,885	($139,495)
Burlington Northern	1,034,612	884,641	1,055,261	906,290	895,729	848,681	101,993	31,695	95,786	(6,670)
Chicago & North Western	174,876	168,682	199,868	193,844	199,483	186,235	(1,801)	14,414	1,812	7,762
Denver & Rio Grande Western	63,974	59,670	65,647	60,733	61,332	57,339	2,205	6,234	3,129	1,908
Kansas City Southern	74,886	72,434	78,674	75,657	64,357	119,613	8,020	(22,108)	8,540	(23,602)
Missouri-Kansas-Texas	58,333	53,918	60,548	56,127	51,752	56,284	14,516	2,327	9,335	101
Soo Line	140,217	141,709	146,219	146,671	131,815	216,015	4,280	(34,945)	11,586	(35,727)
Southern Pacific	472,567	446,807	493,378	465,195	478,934	944,060	60,849	(297,690)	923	(276,197)
St. Louis Southwestern	87,578	91,198	89,939	93,027	82,832	180,554	3,995	(43,930)	4,184	(49,760)
Union Pacific	982,138	924,980	998,930	944,844	873,280	746,252	104,979	107,604	118,307	103,478
TOTAL WESTERN DISTRICT	$3,568,222	$3,320,633	$3,679,487	$3,428,773	$3,296,469	$4,086,364	$323,141	($368,472)	$270,487	($418,202)
GRAND TOTAL - UNITED STATES	$6,632,084	$6,244,099	$6,840,367	$6,469,724	$5,981,573	$6,781,402	$690,167	($37,365)	$537,840	($278,641)

RAILROAD REVENUES, EXPENSES, AND INCOME

YEAR TO DATE

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
District & Railroad	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
EASTERN DISTRICT										
Boston & Maine	$81,524	$81,435	$85,522	$86,334	$92,260	$91,556	$10,520	$2,987	($7,287)	($4,926)
Conrail	3,084,649	2,990,748	3,180,062	3,088,125	2,772,317	2,693,081	266,982	315,689	234,157	279,693
CSX Transportation	4,501,891	4,382,157	4,634,152	4,528,849	4,075,467	3,980,910	337,267	329,310	374,824	342,930
Delaware & Hudson	78,986	78,685	80,851	80,381	86,469	92,219	(7,816)	(13,527)	(5,566)	(11,786)
Florida East Coast	127,690	118,039	130,258	121,177	97,949	91,002	29,608	25,441	11,142	11,360
Grand Trunk Western	297,317	308,519	307,720	323,030	314,177	353,521	268	(16,446)	(5,681)	(26,433)
Illinois Central Gulf	508,807	608,087	548,636	679,488	512,977	1,028,626	1,510	(171,674)	35,452	(189,774)
Norfolk Southern	3,228,981	3,218,487	3,335,554	3,327,786	3,260,048	2,665,850	168,305	505,208	3,613	346,559
TOTAL EASTERN DISTRICT	$11,909,845	$11,786,157	$12,302,755	$12,235,170	$11,211,664	$10,996,765	$806,644	$976,988	$640,654	$747,623
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$1,927,271	$1,910,188	$1,969,121	$1,951,654	$1,783,218	$2,084,930	$116,838	($62,692)	$103,307	($51,946)
Burlington Northern	3,949,216	3,647,645	4,028,709	3,732,981	3,428,045	3,628,211	361,764	81,131	361,263	63,924
Chicago & North Western	673,492	722,156	777,076	823,586	745,364	788,400	19,869	35,958	33,375	34,476
Denver & Rio Grande Western	256,980	280,799	261,033	285,273	249,363	253,074	6,484	22,731	9,405	17,910
Kansas City Southern	290,793	286,116	305,842	299,912	246,549	307,322	31,284	(2,962)	36,256	585
Missouri-Kansas-Texas	232,469	222,083	241,770	232,695	220,777	227,435	23,054	6,781	22,787	6,282
Soo Line	569,592	586,261	589,428	606,276	583,785	674,412	(819)	(34,955)	9,425	(28,234)
Southern Pacific	1,843,456	1,836,389	1,925,256	1,909,015	1,895,615	2,426,668	168,545	(254,258)	27,401	(292,103)
St. Louis Southwestern	366,374	354,864	374,096	360,631	320,169	423,570	33,114	(26,478)	29,596	(34,665)
Union Pacific	3,778,043	3,693,618	3,847,905	3,766,929	3,196,745	3,085,227	421,955	4,697	478,842	50,875
TOTAL WESTERN DISTRICT	$13,887,686	$13,540,119	$14,320,236	$13,968,952	$12,669,630	$13,899,269	$1,182,088	($230,047)	$1,111,657	($232,896)
GRAND TOTAL - UNITED STATES	$25,797,531	$25,326,276	$26,622,991	$26,204,122	$23,881,294	$24,896,014	$1,988,732	$746,941	$1,752,311	$514,727

RAILROAD FINANCIAL TRENDS

CLASS I RAILROADS IN THE UNITED STATES

QUARTERLY TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	QTR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	1Q	$7,190,176	$6,821,344	$216 107	$203,812	207,428	$416,646
1982	2Q	7,222,128	6,820,596	340,175	265,014	208,026	513,393
1982	3Q	6,612,549	6,300,484	161,042	114,512	190,884	461,361
1982	4Q	6,481,840	6,330,777	424,855	183,569	192,771	583,452
1983	1Q	6,487,332	6,125,837	173,249	256,027	196,120	227,406
1983	2Q	6,695,033	6,345,586	254,985	234,271	203,900	505,256
1983	3Q	6,808,425	6,319,364	370,966	399,120	211,293	364,303
1983	4Q	6,936,757	6,396,154	430,111	385,417	215,455	709,842
1984	1Q	7,450,891	6,619,225	592,570	564,265	231,377	647,046
1984	2Q	7,545,074	6,471,295	809,430	767,455	235,017	1,161,001
1984	3Q	7,415,336	6,351,473	769,434	730,603	233,685	1,324,635
1984	4Q	7,047,978	6,362,869	487,697	481,685	221,671	1,176,891
1985	1Q	7,001,951	6,380,907	417,682	390,307	220,655	698,573
1985	2Q	7,068,280	6,153,453	639,652	646,301	222,844	1,335,932
1985	3Q	6,743,425	5,914,490	646,157	573,439	216,223	132,693
1985	4Q	6,744,921	6,736,414	84,893	158,804	216,304	1,135,973
1986	1Q	6,700,129	6,039,660	402,041	410,132	218,600	668,187
1986	2Q	6,640,668	6,116,913	30,817	704,965	215,716	1,099,717
1986	3Q	6,428,042	5,986,052	340,841	333,979	218,321	1,060,893
1986	4Q	6,466,397	6,778,534	(35,751)	(279,365)	221,688	806,842
1987	1Q	6,445,818	5,751,819	443,522	403,288	226,393	464,360
1987	2Q	6,624,765	5,733,320	555,758	572,154	230,601	862,449
1987	3Q	6,712,041	6,414,582	299,286	239,029	242,258	932,042
1987	4Q	6,840,367	5,981,573	690,167	537,840	248,769	782,772

ANNUAL TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,503,503	$26,490,278	$1,151,548	$742,231	797,759	$2,165,941
1983	26,729,392	24,106,254	1,777,916	1,837,854	828,275	2,760,909
1984	29,453,446	25,800,454	2,653,814	2,536,673	921,542	3,744,395
1985	27,586,441	25,225,295	1,788,151	1,746,386	876,984	4,422,903
1986	26,204,122	24,896,015	746,941	514,727	867,722	3,635,985r
1987	26,622,991	23,881,294	1,988,732	1,752,311	948,021	3,041,623

r - Revised.

NOTES:

1. Annual figures include all revisions to data and may vary substantially from total of quarter which reflect no revisions and is considered preliminary.

2. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structure. This required change distorts comparisons of above trends for Operating Expenses, Ordinary Income, Net Railway Operating Income, and Capital Expenditures.

3. There is a modest distortion created in above trends due to changes in the Class I Railroad consist. Several railroads have been reclassified to non Class I since 1982; they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missabe and Iron Range (eff. 1Q 1985), and the Elgin Joliet and Eastern (eff. 4Q 1986).

4. There are special charges, covering asset writedowns and employee buyouts recorded by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, the SOO in 4Q 1986, and the NSC in 3Q 1987. These special charges distort trend comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included in the the annual (1986) calculation of NROI, but is shown as an Unusual & Infrequent Item for the quarterly calculation of NROI.

5. The year to date 1987 column includes a Special Charge taken by NSC which is related principally to rail restructuring. The effect of this Special Charge on certain RE&I line items is shown below:

	Millions
Operating Expenses	+$607.3
Income Taxes	-$263.0
Net Income	-$344.3
NROI	-$344.3

ECONOMICS AND FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001

MARCH 17, 1988

6/30/88

A 3275-1

ASSOCIATION OF AMERICAN RAILROADS

FIRST QUARTER
R&E Series No. 733

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE FIRST QUARTER 1988	1987	%Change	FOR THE THREE MONTHS ENDED MAR 31 1988	1987	%Change
FREIGHT	$6,666,447	$6,187,228	7.75%	$6,666,447	$6,187,228	7.75%
PASSENGER	20,846	27,960	-25.44%	20,846	27,960	-25.44%
PASSENGER - RELATED	47	93	-49.46%	47	93	-49.46%
ALL OTHER OPERATING REVENUES	176,877	184,490	-4.13%	176,877	184,490	-4.13%
JOINT FACILITY ACCOUNT	3,353	2,349	42.74%	3,353	2,349	42.74%
OPERATING REVENUES	$6,867,570	$6,402,120	7.27%	$6,867,570	$6,402,120	7.27%
DEPRECIATION - ROAD	$299,585	$273,514	9.53%	$299,585	$273,514	9.53%
ALL OTHER WAY AND STRUCTURES	797,545	744,573	7.11%	797,545	744,573	7.11%
TOTAL WAY AND STRUCTURES	1,097,130	1,018,087	7.76%	1,097,130	1,018,087	7.76%
DEPRECIATION - EQUIPMENT	249,622	283,676	-12.00%	249,622	283,676	-12.00%
ALL OTHER EQUIPMENT	1,288,168	1,219,618	5.62%	1,288,168	1,219,618	5.62%
TOTAL EQUIPMENT	1,537,790	1,503,294	2.29%	1,537,790	1,503,294	2.29%
TRANSPORTATION - TRAIN AND YARD	2,336,763	2,125,434	9.94%	2,336,763	2,125,434	9.94%
TRANSPORTATION - SPECIALIZED SERV. & ADM.	363,086	370,467	-1.99%	363,086	370,467	-1.99%
GENERAL AND ADMINISTRATIVE	698,907	687,298	1.69%	698,907	687,298	1.69%
OPERATING EXPENSES	$6,033,676	$5,704,580	5.77%	$6,033,676	$5,704,580	5.77%
NET REVENUE RAIL OPERATIONS	$833,894	$697,540	19.55%	$833,894	$697,540	19.55%
OTHER INCOME	$219,056	$327,742	-33.16%	$219,056	$327,742	-33.16%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	25,865	3,705	598.11%	25,865	3,705	598.11%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	11,439	20,276	-43.58%	11,439	20,276	-43.58%
TOTAL INCOME FROM AFFILIATED COMPANIES	37,304	23,981	55.56%	37,304	23,981	55.56%
MISCELLANEOUS DEDUCTIONS FROM INCOME	59,868	70,316	-14.86%	59,868	70,316	-14.86%
INCOME AVAILABLE FOR FIXED CHARGES	$1,030,386	$978,947	5.25%	$1,030,386	$978,947	5.25%
INTEREST ON FUNDED DEBT	196,010	208,585	-6.03%	196,010	208,585	-6.03%
INTEREST ON UNFUNDED DEBT	25,159	16,389	53.51%	25,159	16,389	53.51%
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	2,881	3,307	-12.88%	2,881	3,307	-12.88%
TOTAL FIXED CHARGES	224,050	228,281	-1.85%	224,050	228,281	-1.85%
INCOME AFTER FIXED CHARGES	$806,336	$750,666	7.42%	$806,336	$750,666	7.42%
OTHER DEDUCTIONS	2,595	2,873	-9.68%	2,595	2,873	-9.68%
UNUSUAL OR INFREQUENT ITEMS (DEBIT) CREDIT						
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	$803,741	$747,793	7.48%	$803,741	$747,793	7.48%
INCOME TAXES ON ORDINARY INCOME	129,519	187,094	-30.77%	129,519	187,094	-30.77%
PROVISION FOR DEFERRED INCOME TAXES	151,533	110,738	36.84%	151,533	110,738	36.84%
INCOME (LOSS) FR.CON.OPER.AFT.INC.TAXES	$522,689	$449,961	16.16%	$522,689	$449,961	16.16%
INCOME OR (LOSS) FR.OPER.OF DISCONT.SEG.						
GAIN OR (LOSS) ON DISP.OF.DISCONT.SEG.						
ORDINARY INCOME	$522,689	$449,961	16.16%	$522,689	$449,961	16.16%
EXTRAORDINARY ITEMS (NET)	$494	$32,020	-98.46%	$494	$32,020	-98.46%
INCOME TAXES ON EXTRAORD. ITEMS						
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS						
CUM.EFFECT CHANGES IN ACCT.PRIN.	60,173	57,247	5.11%	60,173	57,247	5.11%
NET INCOME	$583,356	$539,228	8.18%	$583,356	$539,228	8.18%
** INCOME FROM LEASE OF ROAD AND EQUIPM	($455)	($486)	-6.38%	($455)	($486)	-6.38%
** RENT FOR LEASED ROADS AND EQUIPMENT	16,893	12,517	34.96%	16,893	12,517	34.96%
NET RAILWAY OPERATING INCOME	$569,280	$411,739	38.26%	$569,280	$411,739	38.26%
DIVIDENDS ON COMMON STOCK	$381,789	$240,282	58.89%	$381,789	$240,282	58.89%
DIVIDENDS ON PREFERRED STOCK	2,296	3,991	-42.47%	2,296	3,991	-42.47%
**** RATIOS ****						
EXPENSES	87.858%	89.105%		87.858%	89.105%	
TOTAL MAINTENANCE TO REVENUES	38.368%	39.384%		38.368%	39.384%	
TRANSPORTATION TO REVENUES	39.313%	38.986%		39.313%	38.986%	
CASH FLOW	$1,211,990	$1,097,613	10.42%	$1,211,990	$1,097,613	10.42%
(REPORT EXCLUDES B&M AND D&H)						

RATE OF RETURN ON PROPERTY INVESTMENT

TWELVE MONTHS ENDED MARCH 31, 1988

(Dollars in Thousands)

	AVERAGE NET INVESTMENT*		NET OPERATING INCOME**		RATE OF RETURN	
	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT	$17,003	$16,775	$1,080	$922	6.35%	5.50%
WESTERN DISTRCT	16,913	17,158	1,192	928	7.05	5.41
UNITED STATES	$33,916	$33,933	$2,272	$1,850	6.70%	5.45%

NOTE: *AVERAGE NET INVESTMENT WAS CALCULATED IN ACCORDANCE WITH EX PARTE NO. 393 (SUB-NO. 1).
**THE NROI DISPLAYED ABOVE REFLECTS THE ELIMINATION OF SPECIAL CHARGES TAKEN BY THE CARRIERS

FOR THE FIRST QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
District & Railroad	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT										
Conrail	$788,430	$746,708	$813,064	$771,676	$740,784	$700,056	$47,771	$54,099	$44,663	$35,841
CSX Transportation	1,075,485	1,080,734	1,100,762	1,112,174	953,875	985,956	71,291	65,016	106,808	93,495
Florida East Coast	36,529	31,961	37,119	32,772	26,590	23,095	8,408	6,726	5,461	4,618
Grand Trunk Western	77,903	75,985	81,686	79,022	83,688	85,159	(1,182)	(4,897)	(877)	(4,615)
Illinois Central Gulf	138,779	131,194	145,365	148,623	163,728	138,279	(23,463)	183	(12,537)	10,500
Norfolk Southern	833,117	787,291	859,681	814,341	680,720	673,823	118,481	125,508	117,076	38,751
TOTAL EASTERN DISTRICT	$2,950,243	$2,853,873	$3,037,677	$2,958,608	$2,649,385	$2,606,368	$221,306	$246,635	$255,594	$178,590
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$529,833	$455,706	$541,908	$466,328	$490,854	$444,886	$27,837	$11,682	$34,687	$13,496
Burlington Northern	1,097,952	924,329	1,118,224	944,549	966,816	836,125	88,790	55,172	96,933	69,506
Chicago & North Western	184,616	169,182	212,202	196,307	195,330	184,091	12,718	8,631	15,720	12,158
Denver & Rio Grande Western	69,230	60,466	70,145	61,640	65,367	60,990	2,213	209	3,488	1,127
Kansas City Southern	69,853	69,924	74,175	73,759	60,688	59,833	7,682	7,252	8,966	8,793
Missouri-Kansas-Texas	63,213	55,034	66,065	57,425	59,711	54,052	12,521	1,661	6,900	3,782
SOO Line	137,463	142,739	142,701	147,731	135,973	143,982	7,082	68	3,500	4,220
Southern Pacific	464,932	445,747	485,402	465,282	477,309	471,668	18,713	9,770	8,745	(1,668)
St. Louis Southwestern	92,775	91,992	94,736	93,509	83,053	81,174	7,491	7,161	7,390	7,276
Union Pacific	1,006,337	918,236	1,024,335	936,982	849,190	761,411	116,336	101,720	127,357	114,459
TOTAL WESTERN DISTRICT	$3,716,204	$3,333,355	$3,829,893	$3,443,512	$3,384,291	$3,098,212	$301,383	$203,326	$313,686	$233,149
GRAND TOTAL - UNITED STATES	$6,666,447	$6,187,228	$6,867,570	$6,402,120	$6,033,676	$5,704,580	$522,689	$449,961	$569,280	$411,739

YEAR TO DATE

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
District & Railroad	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT										
Conrail	$788,430	$746,708	$813,064	$771,676	$740,784	$700,056	$47,771	$54,099	$44,663	$35,841
CSX Transportation	1,075,485	1,080,734	1,100,762	1,112,174	953,875	985,956	71,291	65,016	106,808	93,495
Florida East Coast	36,529	31,961	37,119	32,772	26,590	23,095	8,408	6,726	5,461	4,618
Grand Trunk Western	77,903	75,985	81,686	79,022	83,688	85,159	(1,182)	(4,897)	(877)	(4,615)
Illinois Central Gulf	138,779	131,194	145,365	148,623	163,728	138,279	(23,463)	183	(12,537)	10,500
Norfolk Southern	833,117	787,291	859,681	814,341	680,720	673,823	118,481	125,508	112,076	38,751
TOTAL EASTERN DISTRICT	$2,950,243	$2,853,873	$3,037,677	$2,958,608	$2,649,385	$2,606,368	$221,306	$246,635	$255,594	$178,590
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$529,833	$455,706	$541,908	$466,328	$490,854	$444,886	$27,837	$11,682	$34,687	$13,496
Burlington Northern	1,097,952	924,329	1,118,224	944,549	966,816	836,125	88,790	55,172	96,933	69,506
Chicago & North Western	184,616	169,182	212,202	196,307	195,330	184,091	12,718	8,631	15,720	12,158
Denver & Rio Grande Western	69,230	60,466	70,145	61,640	65,367	60,990	2,213	209	3,488	1,127
Kansas City Southern	69,853	69,924	74,175	73,759	60,688	59,833	7,682	7,252	8,966	8,793
Missouri-Kansas-Texas	63,213	55,034	66,065	57,425	59,711	54,052	12,521	1,661	6,900	3,782
SOO Line	137,463	142,739	142,701	147,731	135,973	143,982	7,082	68	3,500	4,220
Southern Pacific	464,932	445,747	485,402	465,282	477,309	471,668	18,713	9,770	8,745	(1,668)
St. Louis Southwestern	92,775	91,992	94,736	93,509	83,053	81,174	7,491	7,161	7,390	7,276
Union Pacific	1,006,337	918,236	1,024,335	936,982	849,190	761,411	116,336	101,720	127,357	114,459
TOTAL WESTERN DISTRICT	$3,716,204	$3,333,355	$3,829,893	$3,443,512	$3,384,291	$3,098,212	$301,383	$203,326	$313,686	$233,149
GRAND TOTAL - UNITED STATES	$6,666,447	$6,187,228	$6,867,570	$6,402,120	$6,033,676	$5,704,580	$522,689	$449,961	$569,280	$411,739

RAILROAD FINANCIAL TRENDS

CLASS I RAILROADS IN THE UNITED STATES

QUARTERLY TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	QTR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	1Q	$7,190,176	$6,821,344	$216,107	$203,812	207,428	$416,646
1982	2Q	7,222,128	6,820,596	340,175	265,014	208,026	513,393
1982	3Q	6,612,549	6,500,484	161,042	114,512	190,884	461,361
1982	4Q	6,481,840	6,330,777	424,855	183,569	192,771	583,452
1983	1Q	6,487,332	6,125,837	173,249	256,027	196,120	227,406
1983	2Q	6,695,033	6,365,586	254,985	234,271	203,900	505,256
1983	3Q	6,808,423	6,319,364	370,966	399,120	211,293	364,503
1983	4Q	6,936,757	6,396,154	430,111	385,417	215,455	709,842
1984	1Q	7,450,891	6,619,225	592,570	564,265	231,377	647,046
1984	2Q	7,545,074	6,471,295	809,430	767,455	235,017	1,161,001
1984	3Q	7,415,336	6,351,473	769,434	730,603	233,685	1,324,635
1984	4Q	7,047,978	6,362,869	487,697	481,683	221,671	1,176,891
1985	1Q	7,[illegible]951	6,380,907	417,682	390,307	220,655	698,573
1985	2Q	7,[illegible]280	6,155,653	639,652	646,301	222,844	1,335,952
1985	3Q	6,743,425	5,914,490	646,157	573,439	216,223	132,693
1985	4Q	6,744,921	6,736,414	84,893	158,804	216,304	1,135,973
1986	1Q	6,700,129	6,039,660	402,041	410,132	218,600	668,187
1986	2Q	6,840,668	6,116,913	30,817	704,965	215,716	1,099,717
1986	3Q	6,428,042	5,986,052	340,841	333,979	218,331	1,060,893
1986	4Q	6,446,397	6,778,534	(35,751)	(279,365)	221,688	806,842
1987	1Q	6,445,818	5,751,819	443,522	403,288	226,393	464,360
1987	2Q	6,624,765	5,733,320	555,758	572,154	230,601	862,449
1987	3Q	6,712,041	6,414,582	299,286	239,029	242,258	932,042
1987	4Q	6,840,367	5,981,573	690,167	537,840	248,769	782,772
1988	1Q	6,867,570	6,033,676	522,689	569,280	247,243	569,618

ANNUAL TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,503,503	$26,490,278	$1,151,548	$742,231	797,759	$2,165,941
1983	26,729,392	24,106,254	1,777,916	1,837,854	828,275	2,760,909
1984	29,453,446	25,800,454	2,653,814	2,536,673	921,542	3,744,395
1985	27,586,441	25,225,295	1,788,151	1,746,386	876,984	4,422,903
1986	26,204,122	24,896,015	746,941	514,727	867,722	3,635,985r
1987	26,622,991	23,881,294	1,988,732	1,752,311	948,021	3,041,623

r - Revised.

NOTES:

1. Annual figures include all revisions to data and may vary substantially from total of individual quarters which reflect no revisions and are considered preliminary.

2. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structure. This required change distorts comparisons of above trends for Operating Expenses, Ordinary Income, Net Railway Operating Income, and Capital Expenditures.

3. There is a modest distortion created in above trends due to changes in the Class I Railroad consist. Several railroads have been reclassified to non Class I since 1982; they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missabe and Iron Range (eff. 1Q 1985), and the Elgin Joliet and Eastern (eff. 4Q 1986).

4. There are special charges, covering asset writedowns and employee buyouts recorded by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, the SOO in 4Q 1986, and the NSC in 3Q 1987. These special charges distort trend comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included in the the annual (1986) calculation of NROI, but is shown as an Unusual & Infrequent Item for the quarterly calculation of NROI.

5. First quarter 1988 data excludes the Boston and Maine Corporation and the Delaware and Hudson Railway.

ECONOMICS AND FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001

JUNE 20, 1988

A3275-1
9/23/88

SECOND QUARTER
R&E Series No. 734

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FOR THE SECOND QUARTER			FOR THE SIX MONTHS ENDED JUNE 30		
	1988	1987	%Change	1988	1987	%Change
FREIGHT	$6,804,486	$6,401,008	6.30%	$13,481,913	$12,609,892	6.92%
PASSENGER	21,015	24,304	-13.53%	41,861	52,264	-19.90%
PASSENGER - RELATED	38	59	-35.59%	85	152	-44.08%
ALL OTHER OPERATING REVENUES	180,233	175,117	2.92%	357,506	360,611	-0.09%
JOINT FACILITY ACCOUNT	2,967	2,271	30.65%	6,320	4,620	36.80%
OPERATING REVENUES	$7,008,739	$6,602,759	6.15%	$13,887,687	$13,027,539	6.60%
DEPRECIATION - ROAD	$289,785	$269,448	7.55%	$589,734	$542,017	8.80%
ALL OTHER WAY AND STRUCTURES	767,504	745,603	2.40%	1,562,254	1,496,428	4.40%
TOTAL WAY AND STRUCTURES	1,053,289	1,015,051	3.77%	2,151,983	2,038,445	5.57%
DEPRECIATION - EQUIPMENT	248,329	244,756	1.46%	497,996	490,884	1.45%
ALL OTHER EQUIPMENT	1,270,212	1,239,443	2.48%	2,563,730	2,503,745	2.40%
TOTAL EQUIPMENT	1,518,541	1,484,199	2.31%	3,061,726	2,994,633	2.24%
TRANSPORTATION - TRAIN AND YARD	2,292,312	2,136,467	7.29%	4,631,007	4,272,982	8.38%
TRANSPORTATION - SPECIALIZED SERV. & ADM.	348,839	381,459	-8.55%	712,139	750,544	-5.17%
GENERAL AND ADMINISTRATIVE	1,435,635	695,199	106.51%	2,142,947	1,384,963	54.73%
OPERATING EXPENSES	$6,648,616	$5,712,375	16.39%	$12,699,807	$11,441,967	10.99%
NET REVENUE RAIL OPERATIONS	$360,123	$890,384	-59.55%	$1,187,880	$1,585,572	-25.08%
OTHER INCOME	$384,913	$253,320	51.95%	$604,682	$583,666	3.60%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	36,406	15,586	133.58%	62,337	19,357	222.04%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	3,005	13,328	-77.45%	14,661	33,436	-56.15%
TOTAL INCOME FROM AFFILIATED COMPANIES	39,411	28,914	36.30%	76,998	52,793	45.85%
MISCELLANEOUS DEDUCTIONS FROM INCOME						
	69,129	54,253	27.42%	129,074	124,607	3.58%
INCOME AVAILABLE FOR FIXED CHARGES	$715,318	$1,118,365	-36.04%	$1,740,486	$2,097,424	-17.02%
INTEREST ON FUNDED DEBT	193,091	202,118	-4.47%	389,250	410,792	-5.24%
INTEREST ON UNFUNDED DEBT	26,590	19,567	35.89%	51,749	35,956	43.92%
AMORTIZATION OF DISCONT. ON FUNDED DEBT	3,493	2,468	41.53%	6,374	5,775	10.37%
TOTAL FIXED CHARGES	223,174	224,153	-0.44%	447,373	452,523	-1.14%
INCOME AFTER FIXED CHARGES	$492,144	$894,212	-44.96%	$1,293,113	$1,644,901	-21.39%
OTHER DEDUCTONS	2,582	2,864	-9.85%	5,177	5,737	-9.76%
UNUSUAL OR INFREQUENT ITEMS (DEBIT) CREDIT						
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	$489,562	$891,348	-45.08%	$1,287,936	$1,639,164	-21.43%
INCOME TAXES ON ORDINARY INCOME	215,020	155,248	38.50%	344,539	342,342	0.64%
PROVISION FOR DEFERRED INCOME TAXES	(72,059)	174,721	-141.24%	79,474	285,459	-72.16%
INCOME (LOSS) FR.CON.OPER.AFT.INC.TAXES	$346,601	$561,379	-38.26%	$863,923	$1,011,363	-14.58%
INCOME OR (LOSS) FR.OPER.OF DISCONT.SEG.						
GAIN OR (LOSS) ON DISP.OF.DISCONT.SEG.						
ORDINARY INCOME	$346,601	$561,379	-38.26%	$863,923	$1,011,363	-14.58%
EXTRAORDINARY ITEMS (NET)	($10,061)			($9,567)	$32,020	129.88%
INCOME TAXES ON EXTRAORD. ITEMS	2,025			2,025		
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS						
CUM.EFFECT CHANGES IN ACCT.PRIN.				60,173	57,247	5.11%
NET INCOME	$338,565	$561,379	-39.69%	$916,554	$1,100,630	-16.72%
** INCOME FROM LEASE OF ROAD AND EQUIPM	($288)	($622)	53.70%	($587)	($1,108)	47.02%
** RENT FOR LEASED ROADS AND EQUIPMENT	8,330	17,461	-52.29%	16,473	30,003	-45.10%
NET RAILWAY OPERATING INCOME	$225,204	$577,254	-60.99%	$779,753	$986,666	-20.97%
DIVIDENDS ON COMMON STOCK	$866,862	$273,203	217.30%	$1,247,651	$513,485	142.98%
DIVIDENDS ON PREFERRED STOCK	1,559	2,641	-40.97%	3,855	6,632	-41.87%
EXPENSES TO REVENUES	94.862%	86.515%		91.447%	87.829%	
TOTAL MAINTENANCE TO REVENUES	36.695%	37.852%		37.542%	38.634%	
TRANSPORTATION TO REVENUES	37.684%	38.134%		38.474%	38.564%	
CASH FLOW	$809,651	$1,236,976	-34.55%	$2,016,466	$2,296,291	-12.19%
(REPORT EXCLUDES D&H)						

RATE OF RETURN ON PROPERTY INVESTMENT

TWELVE MONTHS ENDED JUNE 30, 1988

(Dollars in Thousands)

	AVERAGE NET INVESTMENT*		NET OPERATING INCOME**		RATE OF RETURN	
	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT	$17,183	$16,930	$1,143	$871	6.65%	5.14%
WESTERN DISTRCT	17,068	16,954	1,260	959	7.38	5.66
UNITED STATES	$34,251	$33,884	$2,403	$1,830	7.01%	5.40%

NOTE: *AVERAGE NET INVESTMENT WAS CALCULATED IN ACCORDANCE WITH EX PARTE NO. 393 (SUB-NO. 1)
**THE NROI DISPLAYED ABOVE REFLECTS THE ELIMINATION OF SPECIAL CHARGES TAKEN BY THE CARRIERS

FOR THE SECOND QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
District & Railroad	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT										
Boston & Maine	$15,822	$23,571	$16,224	$24,887	$19,036	$24,915	$170	$1,553	($2,738)	($3)
Conrail	834,907	778,421	858,732	801,898	714,558	688,413	96,989	71,621	88,087	67,562
CSX Transportation	1,063,979	1,133,645	1,093,695	1,166,865	1,673,865	1,017,065	(326,952)	80,307	(387,646)	105,493
Florida East Coast	33,089	31,735	33,597	32,196	27,006	24,681	7,311	5,517	2,081	3,376
Grand Trunk Western	80,357	74,722	82,743	76,614	79,810	74,744	4,383	3,231	3,488	3,364
Illinois Central Gulf	129,155	127,386	135,263	136,651	118,075	126,195	4,991	2,690	15,166	10,572
Norfolk Southern	871,082	819,409	897,209	847,672	660,034	660,427	153,811	118,348	149,892	106,627
TOTAL EASTERN DISTRICT	$3,028,391	$2,988,889	$3,117,463	$3,086,783	$3,292,384	$2,616,440	($59,297)	$283,267	($131,670)	$228,991
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$526,879	$492,384	$538,716	$502,029	$470,453	$437,796	$45,594	$33,822	$41,950	$39,988
Burlington Northern	1,092,859	944,195	1,113,160	963,453	940,341	837,459	98,965	69,193	110,731	81,473
Chicago & North Western	185,258	161,265	212,627	185,606	202,151	180,843	8,495	1,745	10,795	5,413
Denver & Rio Grande Western	69,956	64,948	70,744	65,200	64,543	64,076	2,556	858	4,736	726
Kansas City Southern	73,530	73,480	77,107	77,107	62,255	61,687	8,663	8,188	10,034	9,624
Missouri-Kansas-Texas	70,655	58,738	73,315	61,037	59,870	57,582	11,594	3,155	14,002	3,886
SOO Line	136,554	147,022	140,782	151,077	127,079	142,501	7,087	4,766	9,066	5,380
Southern Pacific	486,324	455,689	509,830	476,390	485,940	472,822	95,095	37,138	5,212	7,223
St. Louis Southwestern	104,971	91,837	106,731	93,423	83,787	76,496	15,554	10,962	13,551	8,612
Union Pacific	1,029,109	922,561	1,048,264	940,654	859,813	764,673	112,295	108,285	136,797	117,938
TOTAL WESTERN DISTRICT	$3,776,095	$3,412,119	$3,891,276	$3,515,976	$3,356,232	$3,095,935	$405,898	$278,112	$356,874	$280,263
GRAND TOTAL - UNITED STATES	$6,804,486	$6,401,008	$7,008,739	$6,602,759	$6,648,616	$5,712,375	$346,601	$561,379	$225,204	$577,254

YEAR-TO-DATE

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
Railroad & District	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT										
Boston & Maine	$26,803	$45,227	$27,601	$47,547	$36,551	$49,927	($5,198)	$1,577	($8,802)	($2,330)
Conrail	1,623,337	1,525,129	1,671,796	1,573,574	1,455,342	1,388,469	144,760	125,720	132,750	103,403
CSX Transportation	2,139,464	2,214,379	2,194,457	2,279,039	2,627,740	2,003,021	(255,661)	145,323	(280,838)	198,988
Florida East Coast	69,619	63,696	70,717	64,968	53,596	47,776	15,720	12,242	7,543	7,994
Grand Trunk Western	158,260	150,707	164,429	155,636	163,498	159,903	3,201	(1,666)	2,611	(1,251)
Illinois Central Gulf	267,934	258,580	280,628	285,274	281,803	264,474	(18,472)	2,873	2,629	21,072
Norfolk Southern	1,704,199	1,606,700	1,756,890	1,662,013	1,340,754	1,334,250	272,292	243,856	261,968	145,378
TOTAL EASTERN DISTRICT	$5,989,616	$5,864,418	$6,166,518	$6,068,051	$5,959,284	$5,247,820	$156,642	$529,925	$117,861	$473,254
ESTERN DISTRICT										
Atchison Topeka & Santa Fe	$1,056,712	$948,090	$1,080,624	$968,357	$961,307	$882,682	$73,431	$45,504	$76,637	$53,484
Burlington Northern	2,190,811	1,868,524	2,231,384	1,908,002	1,907,157	1,673,584	187,755	124,365	207,664	150,979
Chicago & North Western	369,874	330,447	424,829	381,913	397,481	364,934	21,213	10,376	26,515	17,571
Denver & Rio Grande Western	139,186	125,414	140,889	126,840	129,910	125,066	4,769	1,067	8,224	1,853
Kansas City Southern	143,383	143,404	151,282	150,866	122,943	121,520	16,345	15,440	19,000	18,417
Missouri-Kansas-Texas	133,868	113,772	139,380	118,462	119,581	111,634	24,115	4,816	20,902	7,668
Soo Line	274,017	289,761	283,483	298,808	263,052	286,483	14,169	4,834	12,566	9,600
Southern Pacific	951,256	901,436	995,232	941,672	963,249	944,490	113,808	46,908	13,937	5,555
St. Louis Southwestern	197,746	183,829	201,467	186,932	166,840	157,670	23,045	18,123	20,941	15,888
Union Pacific	2,035,446	1,840,797	2,072,599	1,877,636	1,709,003	1,526,084	228,631	210,005	255,486	232,397
TOTAL WESTERN DISTRICT	$7,492,299	$6,745,474	$7,721,169	$6,959,488	$6,740,523	$6,194,147	$707,281	$481,438	$661,892	$513,412
GRAND TOTAL - UNITED STATES	$13,481,915	$12,609,892	$13,887,687	$13,027,539	$12,699,807	$11,441,967	$863,923	$1,011,363	$779,753	$986,666

RAILROAD FINANCIAL TRENDS

CLASS I RAILROADS IN THE UNITED STATES

QUARTERLY TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	QTR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	1Q	$7,190,176	$6,821,344	$216,107	$203,812	207,428	$416,646
1982	2Q	7,222,128	6,820,596	340,175	265,014	208,026	513,393
1982	3Q	6,612,549	6,300,484	161,042	114,512	190,884	461,361
1982	4Q	6,481,840	6,330,777	424,855	183,569	192,771	583,452
1983	1Q	6,487,332	6,125,837	173,249	256,027	196,120	227,406
1983	2Q	6,695,033	6,345,586	254,985	234,271	203,900	505,256
1983	3Q	6,808,425	6,319,364	370,966	399,120	211,293	364,503
1983	4Q	6,936,759	6,396,154	430,111	385,417	215,455	709,842
1984	1Q	7,450,891	6,619,225	592,570	564,265	231,377	647,046
1984	2Q	7,545,074	6,471,295	809,430	767,455	235,017	1,161,001
1984	3Q	7,415,336	6,351,473	769,434	730,603	233,685	1,324,635
1984	4Q	7,047,978	6,362,869	487,697	481,685	221,671	1,176,891
1985	1Q	7,001,951	6,380,907	417,682	390,307	220,655	698,573
1985	2Q	7,068,280	6,153,453	639,652	646,301	222,844	1,335,952
1985	3Q	6,743,425	5,914,490	646,137	573,439	216,223	132,693
1985	4Q	6,744,921	6,736,414	84,893	158,804	216,304	1,135,973
1986	1Q	6,700,129	6,039,660	402,041	410,132	218,600	668,187
1986	2Q	6,640,668	6,116,913	30,817	704,965	215,716	1,099,717
1986	3Q	6,428,042	5,986,052	340,841	333,979	218,331	1,060,893
1986	4Q	6,466,397	6,778,534	(35,751)	(279,365)	221,688	806,842
1987	1Q	6,445,818	5,751,819	443,522	403,288	226,393	464,360
1987	2Q	6,624,765	5,733,320	555,758	572,134	230,601	862,449
1987	3Q	6,712,041	6,414,582	299,286	239,029	242,258	932,042
1987	4Q	6,840,367	5,981,573	690,167	537,840	248,769	782,772
1988	1Q	6,867,570	6,033,676	522,689	569,280	247,243	569,618
1988	2Q	7,008,739	6,648,616	346,601	225,204	250,907	954,742

ANNUAL TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,303,503	$26,490,278	$1,151,548	$742,231	797,759	$2,165,941
1983	26,729,392	24,106,254	1,777,916	1,837,854	828,275	2,760,909
1984	29,453,446	25,800,454	2,653,814	2,536,673	921,542	3,744,395
1985	27,586,441	25,225,295	1,788,151	1,746,386	876,984	4,422,903
1986	26,204,122	24,896,015	746,941	514,727	867,722	3,635,985r
1987	26,622,991	23,881,294	1,988,732	1,752,311	948,021	3,041,623

r - Revised.

NOTES:

1. Annual figures include all revisions to data and may vary substantially from total of individual quarters which reflect no revisions and are considered preliminary.

2. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structure. This required change distorts comparisons of above trends for Operating Expenses, Ordinary Income, Net Railway Operating Income, and Capital Expenditures.

3. There is a modest distortion created in above trends due to changes in the Class I Railroad consist. Several railroads have been reclassified to non Class I since 1982: they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missabe and Iron Range (eff. 1Q 1985), and the Elgin Joliet and Eastern (eff. 4Q 1986).

4. There are special charges, covering asset writedowns and employee buyouts recorded by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, the SOO in 4Q 1986, the NSC in 3Q 1987, CSX in 2Q 1988, and the CNW in 2Q 1988. These special charges distort trend comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included in the annual (1986) calculation of NROI, but is shown as an Unusual & Infrequent Item for the quarterly calculation of NROI.

5. RE&I figures exclude for 1988 the financial and statistical data for the Delaware and Hudson Railway.

6. The second quarter and year to date figures for 1988 includes Special Charges taken by CSX and CNW. The effect of these Special Charges on the RE&I line items are shown below.

	CNW	CSX	Total
	----------million----------		
Operating Expenses	+$9.0	+$724.0	+$733.0
Income Taxes	-$1.9	- 266.4	- 268.3
Net Income	- 7.1	- 457.6	- 464.7
NROI	- 7.1	- 457.6	- 464.7

ECONOMICS AND FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001

SEPTEMBER 9, 1988